

Kirklees Council

Draft Annual Governance Statement 2023/24

June 2024

Overall Conclusion & Opinion

We have considered carefully the effectiveness of the Council's governance framework and have been advised by the Corporate Governance and Audit Committee. We are satisfied that the Council's overall governance arrangements are in accordance with our governance framework and Code of Corporate Governance.

We will continue to enhance our governance arrangements as recommended in the Action Plan that underpins this Statement. We are satisfied that these steps will address the need for improvements that were identified in our review and will monitor their implementation during 2024/25 and beyond in conjunction with the Corporate Governance & Audit Committee.



Cllr. Catherine Scott, Leader of the Council

Signed:



Steve Mawson, Chief Executive

Significant Governance Issues during 2023/24

The annual corporate review process has identified and evaluated both progress with addressing ongoing issues from the 2022/23 Statement and some new areas. Those that meet one or more of the following criteria (suggested by CIPFA / SOLACE) have been regarded as *significant* and are included in this Statement:

- A) It undermines / threatens the achievement of our four key Council priorities:
 - to address our financial position in a fair and balanced way.
 - to strive to transform council services to become more efficient, effective, and modern.
 - to continue to deliver a greener, healthier Kirklees and address the challenges of climate change.
 - to continue to invest and regenerate our towns and villages to support our diverse places and communities to flourish.
- B) It is a significant failure to meet the principles of good governance.
- C) It is an area of significant concern to an inspector, regulator or external audit.
- D) The head of internal audit, one of the statutory officers or the Corporate Governance & Audit Committee has recommended it be included.
- E) It is an issue of public or stakeholder concern.
- F) It is an issue that cuts across the organisation and requires cooperation to address it.

Progress with the Significant Governance Issues in last year's Statement

Our previous Statements recognised that many issues are complex, and sometimes not solely under the Council's direct control. These often take longer than one year to address and some feature in a similar form for a number of years, though some aspects can be resolved during the year. A change of focus or circumstance with an issue may result in it being retained but in a revised form in the following year's Statement.

Good governance is about taking actions and making continuous improvement. Sufficient progress has been made since the 2022/23 Statement in addressing several of the issues highlighted last year, and consequently these have been omitted from those described in the current Statement, as they have returned to a business as usual mode, as shown in the table overleaf.

2022/23 ISSUE	ACTION TAKEN
Corporate Planning & Resource Allocation processes and timing not sufficiently joined to facilitate delivery of the Council's key objectives.	The two processes have been better synchronised so that the latter enables delivery of the former, as exemplified by joint consideration and approval at Budget Council at the start of March 2024.
Need to develop Partnership Governance further and build on new relationships.	Appropriate management oversight has helped to ensure delivery of key priorities and community needs.
Strengthen Governance of decision making, Member roles and place-based working.	Continued implementation and development of the current governance model with a focus on pre-decision scrutiny and delivery of improved communication and training to those involved.
Assimilation of new personnel into key corporate management roles within the Executive Leadership Team.	Appointments have been made to the key posts concerned and effective new working relationships have been developed.
The effective implementation of the "Safety Valve" programme to address overspending and historic deficit on special education needs (SEND) budgets as part of the Dedicated Schools Grant (DSG).	<p>A Plan has been agreed with the Department for Education to reduce the High Needs Block cumulative deficit by 2029/30. This requires the continuation of the DfE's annual safety valve contributions and a contribution from the Council (this is factored into the existing version of the Medium-Term Financial Plan).</p> <p>Council Services will continue to work collaboratively with schools and other partners to manage the High Needs Block expenditure effectively.</p> <p>Effective implementation of the Safety Valve plan, including new special schools (completion by 2026), additionally resourced provision and satellite schools, more effective processing and resource allocation as a part of the SEND assessment process.</p>

Issues from the 2022/23 Statement where further work or time to embed changes is still required are described in the following table.

No.	Governance Issue / Theme	Reason for Inclusion (letter code refers to introductory text)	Direction of Travel / Progress in 2023/24 / Most Recent update to CGAC (February 2024)	Further Action Planned in 2024/25
1.	Ensure there is corporate oversight of progress to address the health and safety issues raised in connection with housing properties and the complete buildings portfolio, ensuring that management and operational arrangements provide for the health and safety of all Council tenants, employees and residents.	Work is ongoing to embed innovation and change but it has not yet reached a <i>business-as-usual</i> state. (A, C, E)	<p>In respect of the governance of housing landlord services generally (Homes and Neighbourhoods), a Board has been established, independently chaired, and reporting directly to the Cabinet committee, that is meant to address all areas of activity subject to oversight by the government Regulator. The Council's Scrutiny committee for Growth & Regeneration also has Homes and Neighbourhoods standards within its remit, and it receives timely updates as part of its annual work programme. Steps have also been taken to improve the governance oversight, and operational management of property related matters within the housing function and preparations are being made for the Regulatory inspection.</p> <p>However, the Housing Regulator issued formal notice in March 2024, identifying areas where the Council needs to improve its compliance, specifically for the treatment of damp, mould and condensation and fire safety.</p>	<p>Address areas of concern raised by the Regulator, identifying areas of highest risk regarding damp, mould and condensation and fire safety, whilst progressing rectification of these in priority order.</p> <p>Undertake regular engagement with the Regulator of Social Housing to ensure progress is communicated and assurance is given in a timely, consistent and effective manner.</p> <p>Develop an approach to the oversight and governance of housing management activities that reflects the requirements of the Government's regulatory regime.</p>

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2.	Robust governance oversight and management of progress in implementing the significant changes that underpin the 2024/25 budget is of key importance to ensuring the financial stability of the Council.	<p>Could prevent achievement of any key objectives.</p> <p>(A, C, E, F)</p>	<p>The serious financial position of the Council was partly mitigated by revenue spending and recruitment restrictions introduced in September 2023.</p> <p>Thereafter, consideration was given to the following:</p> <ul style="list-style-type: none"> • A review of all reserves, earmarked or otherwise, to determine how much of any of those reserves can be moved to unallocated reserves to bolster the Minimum Working Balance (a review of the methodology for the Minimum Working Balance using a risk-based analysis (as per CIPFA guidance) rather than a simple percentage of Net Revenue Expenditure) and Unallocated Reserves in the event of an overspend in 2023/24. This was completed in February 2024 and the risk based approach to the minimum working balance was approved by Council as part of the 2024/25 budget. A minimum balance of c£15m was identified (a desirable balance being c£25m). • A review of the strength of the Council's Balance Sheet to determine the extent of any assets/liabilities that may impact on the Council's 	<p>Deliver the balanced budget.</p> <ul style="list-style-type: none"> • The Council must achieve the programme of savings in accordance with planned timescales but this is not just about doing less – it's about maintaining our ambitions and being more efficient, effective, and modern, with better value for money for residents. • We need to work together at pace, make the best use of resources, and having robust programme/ project governance in place to deliver the best use of resources and address risks and issues as they arise. • Key programmes include 'The Big Plan' (our offer to children and families with special educational needs and disabilities); services and homes for our housing tenants; our adult social care operating model; and improving our online customer service offer, including across libraries.

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			<p>overall financial position bearing in mind the acute financial position of the Council.</p> <ul style="list-style-type: none"> • A review of the Council's Capital Programme with a view to reducing the amount of the Council's Prudential Borrowing given its impact on the General Fund Revenue Budget. In turn, this will necessitate a review of the Treasury Management Strategy not least because the Council, at a time of higher interest rates, is significantly (c£160m) under borrowed with any new borrowing potentially testing the viability of business cases for projects previously agreed. • A review of the Medium-Term Financial Plan (MTFP) to ensure that it fully reflects both the anticipated income and expenditure of the Council in the period 2024/25 to 2028/29 based on a range of sound assumptions. • The identification of a package of savings proposals to bridge the 'In-Year Funding Gap' reported in the MTFP of £47.8m, that can be delivered in full in 2024/25. This will include assessing the robustness of any such savings proposals to make sure they are deliverable, agreed through the appropriate governance 	<p>Regular reporting to and monitoring by ELT and Cabinet and taking corrective action where necessary.</p> <p>The next iteration of the Council's MTFP, including the capital plan, is currently being worked on and will be reported to Members in late summer 2024.</p> <p>This will shape the 2025/26 budget and the required level of savings to balance the budget.</p>

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			<p>mechanism and implemented as early as possible.</p> <p>Additional work to address revenue overspending, identify savings, and strengthen the Council's balances has been undertaken in 2023/24. The effect of the various actions undertaken in 2023/24 was to reduce the projected overspend at Q1 of £20.3m to £9.2m at Q3 with further improvement expected at final outturn, which will in turn result in a reduced call on reserves to balance.</p> <p>The budget for 2024/25 includes a robust set of savings. Service and corporate savings programme include:</p> <ul style="list-style-type: none"> • Transformation of services – more efficient and effective • Integration • Fees and charges, and increasing income • Working differently with partners • Service re-design 	

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			<ul style="list-style-type: none"> • Reviewing and reducing contracts • Asset rationalisation • IT efficiencies <p>Revisions and prioritisation of the capital plan and some accounting adjustments were made.</p>	
3.	The management, governance and use of data is not always effective, meaning that meaning decisions are not necessarily informed by robust evidence, as well as creating unintended financial and operational risks.	Strategic decision making should be supported and informed by robust data and insight by valid intelligence. (A, F)	The Data and Insight Strategy seeks to improve how the Council's manages and uses data. The implementation of the Strategy is ongoing. This Strategy works alongside and in tandem with the Technology and Information Governance Strategies.	Improving how the Council manages its data assets through the development and implementation of a Data Management Strategy is a priority for 2024/25. During the Summer 2024, work will be undertaken to establish a data and insight skills workforce development programme

New Issues

The annual review of the effectiveness of our governance arrangements has considered potential areas of heightened concern, risk, or significant uncertainty that require a corporate response. In addition to those Issues retained from the 2022/23 Statement, the following new ones have emerged through this process which require further remediation and management action.

Governance Issue / Theme	Reason for Inclusion	Action Required in 2024/25
The Code of Corporate Governance has not been reviewed formally since its inception.	The Code underpins arrangements and the environment in which this Statement is compiled. (B)	The Code will be reviewed in line with CIPFA / SOLACE good governance practice by the Service Director, Legal, Governance & Commissioning to ensure it remains fit for purpose in the current position of the Council and the outcome reported to the CGAC and posted on the website.
Timeliness of Accident Reporting in accordance with statutory regulations	The Council was recently issued a Notice of Contravention by the HSE for late reporting. (E)	Managers have been reminded that they must report accidents to the Corporate Health & Safety Team within 24 hours who will notify the HSE as required. Raise awareness across the Council. Senior management to monitor compliance closely.
Timeliness to respond to statutory timeframes.	Increases in the levels and complexity of demand, as well as challenges in recruitment in certain areas where the market is poor. (E, F)	Take a risk based approach to recruitment, better medium and longer term workforce planning and monitor demand to foresee periods of greater pressure.

A more detailed Action Plan sits behind this summary and the Executive Leadership Team and CGAC will monitor progress during 2024/25 and beyond.

Statement Scope

Kirklees Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

Kirklees Council has a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework *Delivering Good Governance in Local Government 2016*. A copy of the Code is available from the Monitoring Officer. The current version can be found at <https://www.kirklees.gov.uk/beta/council-and-democracy.aspx#your-council>

This Statement explains how the Council has complied with the Code during 2023/24 and up to the date that the Statement of Accounts is approved and thus meets the requirements of the Accounts and Audit Regulations 2015, and the Accounts and Audit (Amendment) Regulations 2020. It provides assurance about the Council's governance framework, including the other entity in the Group Accounts, a joint venture, Kirklees Stadium Development Limited, to enable readers of the consolidated Accounts to be satisfied that arrangements are in place to govern spending and safeguard assets. Where specific improvements and/ actions are ongoing or needed, brief information is provided about the key issues and the main areas of work that have been progressed during 2023/24 and those which are planned or ongoing in 2024/25.

The purpose of the governance framework

Corporate governance is a phrase used to describe how organisations direct and control what they do. For local authorities this also includes how a Council relates to the communities that it serves. The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and through which it engages with, leads and accounts to its communities. Effective governance should enable the Council to monitor the achievement of its key objectives and to assess if this has led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of the Council's governance framework, designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve its aims, objectives and policies and can only provide reasonable, but not absolute, assurance of effectiveness.

The key parts of the governance framework

- A Local Code of Corporate Governance overseen by the Service Director Legal, Governance & Commissioning and the Corporate Governance and Audit Committee, to assess operational practice and behaviour, and prepare this Statement.
- A Council Constitution.
- A Corporate Plan, *Our Council Plan*, that outlines how officers will seek to run the Council to meet our community commitments and key objectives.
- A Leader and Cabinet model of governance.
- A corporate governance, audit and scrutiny process as set out in the Constitution.
- Oversight and delivery of the Council Programme, including several officer boards as described in the Constitution.
- Statutory officer roles performed by the Chief Executive as Head of Paid Service, the Service Director Legal, Governance & Commissioning as Monitoring Officer and the Service Director Finance as Section 151 Officer. The S151 Officer is a professionally qualified accountant and reports directly on financial matters to the Chief Executive as a member of the Executive Leadership Team (ELT).
- The Monitoring Officer who has responsibility for the Constitution and ensuring the legality of Council actions and decision making.
- The S151 Officer who has responsibility for ensuring that the financial management arrangements conform with all of the governance requirements of the five principles that define the core activities and behaviours that belong to the role in the CIPFA *Statement on The Role of the Chief Financial Officer in Local Authorities (2014)*.
- Codes of conduct defining the standards of behaviour for Members and employees.
- A Counter Fraud, Bribery and Corruption Policy and arrangements that endeavour to comply with the CIPFA Code and best practice.
- A Risk Management Strategy.
- Systems of financial and business internal control.
- An internal audit section, which is compliant with the Public Sector Internal Audit Standards and Code of Ethics.
- Whistle-blowing arrangements.
- A complaints system for residents and service users.
- Business continuity arrangements.
- A senior manager to act as the Caldicott Guardian to protect the confidentiality of patient and service-user information.

- A Data Protection Officer reporting directly to the Chief Executive and a Senior Information Risk Officer (Monitoring Officer).
- Arrangements to manage other parts of the Council's (financial) Group. The S151 Officer monitors and reports on the financial effectiveness of the joint venture company, KSDL, whose accounts are subject to external audit.

2023/24 Review of effectiveness

Kirklees Council has a legal responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. The review is informed by several sources including the work of the executive managers, the Head of Audit & Risk's annual report, the external auditor and other review agencies and inspectorates and Member Committees. The Council has four bodies / committees jointly responsible for monitoring and reviewing governance. These are:

- The Executive (Cabinet)
- The Corporate Governance & Audit Committee (CGAC)
- The Overview & Scrutiny Committee; and
- The Standards Committee.

The main parts of the review process are described below:

1. Annual Review of effectiveness of the system of internal control

In accordance with the requirements of the Accounts and Audit Regulations 2015 and Public Sector Internal Audit Standards (PSIAS), the CGAC approved the annual review of the effectiveness of its system of internal control and internal audit at its meeting in May 2024. The Head of Audit has confirmed audit arrangements have continued to be compliant with prevailing professional standards and code of ethics.

2. Risk Management

The overall framework, system and processes is working well and continues to be developed and embedded across all parts of the Council.

New and emerging risks / and any high risks not being controlled effectively have been raised during the year and escalated to ELT as appropriate. These included matters related to the financial stability of the Council, SEND, associated parties, housing generally and property conditions specifically, employment and staffing.

3. Head of Audit's Annual Assurance Opinion

The proportion of areas where control issues have arisen during the year is growing but nevertheless the Head of Audit has reported he has just obtained sufficient assurance that overall, the Council's systems of governance, risk management and internal control continue to be generally sound and operate reasonably consistently across Services.

No new issues of significant concern were reported.

4. External Auditor's Review

The audit of the Council's 2023/24 financial statements and Annual Report (VFM Review) is scheduled for approval at CGAC by the end of 2024.

In December 2023 the 2022/23 financial statements were approved with an unqualified opinion. The 2022/23 Annual Report received by the CGAC in January 2024 reflected that the previous year's Report had been made only in the preceding July and so the significant weakness in financial sustainability and accompanying key recommendation remained in place for then current year of account. Whilst noting good progress had been made in addressing the recommendation concerning short term savings that could be delivered quickly, further developments in the governance of the savings plan and co-ordination with the longer-term transformation programme had yet to be addressed, in addition to a robust solution to rebuilding reserves.

A second new key recommendation was made concerning the Council's Dedicated School Grant deficit position, as it judged the remediation plan agreed with the DfE had faltered, albeit that since then the Council has been proactive in ongoing negotiations to identify a way forward.

No significant areas of weakness were identified either in governance arrangements, or those for identifying economy, efficiency and effectiveness.

5. Cabinet

No new significant issues to report arose from the Committee's work this year.

6. Corporate Governance & Audit Committee

During 2023/24 the CGAC reviewed a number of aspects of the Council's constitution and governance arrangements and noted or approved revisions or made recommendations to Council as appropriate.

CGAC also received assurance from various second line of defence mechanisms in their 2023/24 annual reports, such as regarding health and safety, emergency planning and business continuity, information governance and customer corporate standards on complaint handling, and a review of the Ombudsman and Third Stage Complaints received, together with details of the Whistleblowing concerns that have been received.

Recognising the need to ensure that both new and existing members of the Committee have the appropriate support and skills to conduct their role, training sessions are provided at various intervals, and this includes treasury management, over which the Committee has corporate oversight.

No new significant issues to report arose from the Committee's work this year.

7. Overview & Scrutiny Management Committee

During 2023/24 the Committee and its four Panels were themselves reviewed following a review of the Council's governance arrangements and key issues faced and strategies and responses to manage these.

No new significant issues arose from the work of the Overview & Scrutiny process this year.

8. Standards Committee

During the year the Committee reviewed various aspects of Member conduct arising from an increased volume of complaints but none individually or collectively were of sufficient significance to warrant reporting in this Statement.

9. Role of the Chief Financial Officer

During 2023/24 the previous Service Directors of Finance (SDF) retired and his successor then left the Council after a short period of tenure and an Interim appointment was made pending the arrival of the new Chief Executive. A permanent appointment was made subsequently and the new incumbent started in the role in May 2024, a role which continues to reflect the governance arrangements set out in the CIPFA

Statement, which are required to ensure he is able to operate effectively and perform his core duties compliant with the Constitution. The Council's financial management arrangements continue to fully conform to those set out in the Statement.

Assessments by a previous SDF and Internal Audit confirmed prior to 2023/24 that the Council was compliant with the CIPFA Financial Management Code, although there are some aspects of operations that can be strengthened further in line with recommendations made by Internal Audit at that time.

10. Role of the Monitoring Officer / Senior Information Risk Owner

The Service Director performing this role left the Council at the start of June 2024 and has been replaced accordingly. She had reviewed information governance and security matters as Chair of the Information Governance Board within the context of an internal review of the Board's terms of reference and increasing focus on an enabling and supportive role, as well as wider assurance concerning organisational governance and compliance with the Constitution.

The Council's Code of Corporate Governance as adopted in 2017 reflecting *CIPFA/SOLACE Delivering Good Governance Framework 2016* includes a requirement for regular review and best practice would suggest this may even be an annual process. However, the Code has not been formally reviewed and outcome reported to CGAC since that time.

No other Issues identified other than those included in the 2022/23 Statement.

11. Officer Governance

No new significant issues to report arose from the ELT's work this year.

Officer Boards as prescribed in the Constitution have continued to drive forward the Transformation Programme with strategic oversight from the ELT and escalation of appropriate issues, with particular emphasis on revenue budget and capital plan management. These arrangements are subject to both Cabinet and Scrutiny oversight and are covered in the financial position of the Council in this Statement.

12. Significant Partnerships

Partnerships range from the joint venture partnership and thematic partnerships and their subsidiaries to key contractual agreements managing substantial amounts of public money. The main contact officer for each Partnership is responsible for assessment of the governance arrangements and providing details of any significant changes to the membership and circumstances of the partnership. This information is

used by senior officers to assess the potential risk that the partnership presents to the reputation or financial standing of the Council. Every six-months, a report is provided to ELT as part of the quarterly assurance meetings that updates on key issues and risks across partnership working and the key partnerships.

Whilst the revised and strengthened governance framework has become embedded, the Council is continuing to work on a number of areas where arrangements need to be improve further still.

13. Corporate Financial Management and Corporate Performance & Impact Reports

Twice-yearly Corporate Performance and Impact reports, covering key activities and the outcomes within the Council Plan, continued to be produced in 2023/24 in line with the expectations of the Administration. The Council will return to quarterly performance reporting, including a renewed set of key performance indicators to accompany the Council Plan priorities from quarter 1 2024/25. This will provide greater visibility of performance in key areas to aid an understanding of the effectiveness of the organisation. Overall understanding of the impact of the Council's performance and delivery of services continues to be the key purpose of reporting.

14 External Inspections, Regulatory Action & Peer Reviews

The central repository of the objectives, outcome and future timetable of all external inspections, audits, accreditations and reviews established by the Corporate Planning and Co-ordination Team from information provided by Service Directors enables areas for improvement and recommendations to be implemented to be identified quickly and progress monitored accordingly to ensure complete corporate oversight. This process will be embedded further into the work of the Team. A review is currently underway to identify any themes and they will be communicated as part of preparation for the next Corporate Peer Challenge (possibly late 2024).

All Strategic Directors are set an annual objective of participating in LGA Peer Reviews to ensure organisation learning from best in class.